

US Department of Commerce, Office of Health and Consumer Goods 2005 Dolls, Toys, Games, and Children's Vehicles Outlook

Industry Definition

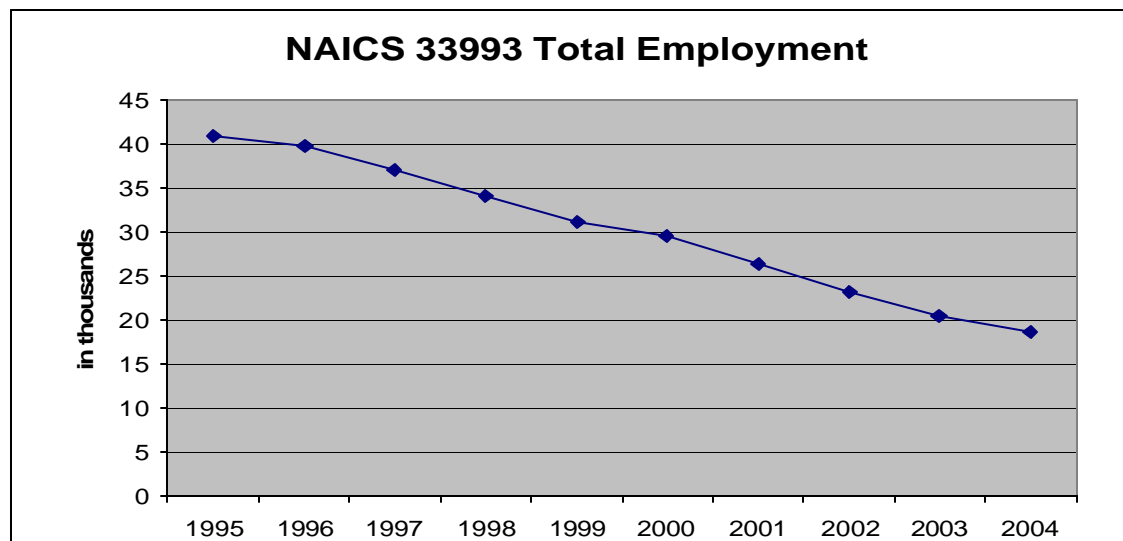
NAICS 339931 comprises establishments primarily engaged in manufacturing complete dolls, doll parts, and doll clothes, action figures, and stuffed toys.

NAICS 339932 comprises establishments primarily engaged in manufacturing games and game sets for adults and children, and mechanical and non-mechanical toys. Important products of this industry include games; toy furniture; doll carriages and carts; construction sets; mechanical trains; toy guns and rifles; baby carriages and strollers; children's tricycles, coaster wagons, play cars, sleds, and other children's outdoor wheel goods and vehicles, except bicycles. Included are establishments primarily engaged in manufacturing electronic board games; electronic toys; and electronic game machines, except coin-operated. Establishments primarily engaged in manufacturing electronic video game cartridges and non-doll rubber toys are not included.

Current Economic Indicators

The world's leading children's entertainment companies have American origins but they are global enterprises, which take advantage of economies of scale and source products around the world. While the majority of toys destined for the American market are designed in the United States, large-scale production has shifted to international markets. Accordingly, total employment in the doll, toy, and game industry has steadily declined since its high in 1993 with 42,300 workers to 18,600 workers in 2004¹. The industry has lost more than half of its total employment in the last ten years, see Figure 1.

Figure 1

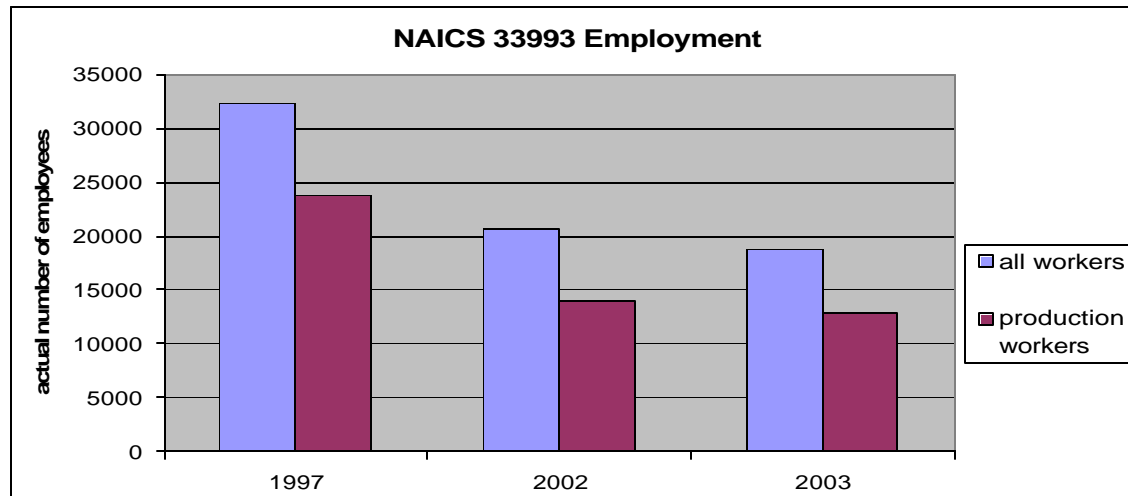


Source: Bureau of Labor Statistics

¹ Bureau of Labor Statistics

The toy industry has lost 13,528 jobs since 1997, of which 10,759 were production related jobs, see Figure 2. Production workers accounted for 69 percent of total employment in 2003, down from 73 percent of total employment in 1997².

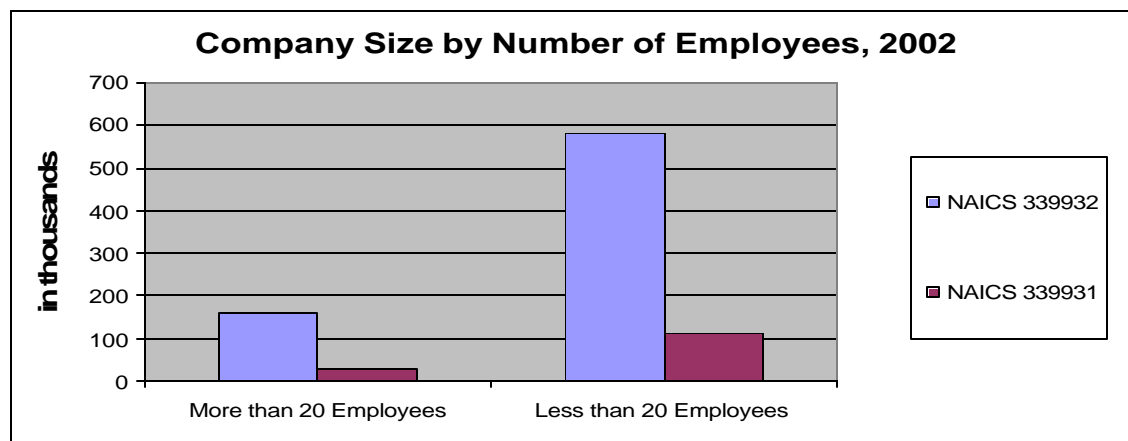
Figure 2



Source: 2003 Annual Survey of Manufacturers, Statistics for Industry Groups and Industries

The U.S. industry is characterized by a few large manufactures and many small producers. Of the 139 establishments that produced dolls, NAICS 339931, in 2002, the latest year of detailed statistics, 80 percent employed less than 20 people. Similarly, of the 742 establishments that produced toys in 2002, NAICS 339932, 78 percent employed less than 20 people, see Figure 3³. Small toy companies do not have the ability to meet U.S. demand and are, therefore, routinely purchased by industry leaders who see the acquisition of small companies as an important opportunity to augment product lines with innovative products.

Figure 3



Source: 2002 Economic Census of Manufacturing: NAICS 339931 for Dolls and Stuffed Toys and NAICS 339932 for Games, Toys and Children's Vehicles.

² 2003 Annual Survey of Manufacturers, Statistics for Industry Groups and Industries

³ 2002 Economic Census of Manufacturing: NAICS 339931 for Dolls and Stuffed Toys and NAICS 339932 for Games, Toys and Children's Vehicles.

New York City was once the toy manufacturing capital of the United States although today approximately half of the industry is located in the following ten states; California, New York, Pennsylvania, Ohio, Illinois, Florida, Colorado, Michigan, Missouri and Maryland with the remainder located sporadically around the country.

Production wages are not uniform among the industry sectors. Average production worker wages for NAICS 339932 were approximately \$13.20 in 2002⁴ and ranged from a high of \$19.65 in Maryland to a low of 9.84 in Iowa. The average production worker wages for NAICS 339931 averaged only \$9.40 per hour in 2002 and ranged from \$9.57 in Colorado to \$9.15 in Ohio.

Industry Data

According to the Census Bureau, the toy industry reported a decrease in shipments of 6.08 percent in 2003 to \$3.470 billion.⁵ The production of dolls and stuffed toys is significantly smaller than that of toys, games and children's vehicles. Doll and stuffed toy companies reported a decrease in shipments of 25 percent to \$205 million while games, toys, and children's vehicles companies saw a decline of 4.51 percent to \$3.265 billion, see Figure 4 for detailed industry data.

Figure 4

NAICS 33993 Doll, Toy and Game Manufacturing (in thousands)								
	1997	1998	1999	2000	2001	2002	2003	2004
Value of Industry Shipments	4,763,522	4,348,021	3,832,297	3,710,067	3,388,994	4,274,669	3,936,743	n/a
Value of Product Shipments	4,203,421	3,811,167	3,431,313	3,343,448	3,117,938	3,695,558	3,470,976	n/a
Total Employment	32.29	31.80	27.50	25.70	23.40	20.69	18.76	n/a
Production Workers	23.70	23.00	19.70	19.20	16.60	14.00	12.90	n/a
Value of Exports	972,867	929,569	899,067	1,010,759	866,910	835,036	862,756	880,492
Value of Imports	12,069,143	12,976,221	13,099,799	13,392,685	14,200,683	15,062,108	14,173,871	14,244,080
Apparent Consumption	15,299,697	15,857,819	15,632,045	15,725,374	16,451,711	17,922,630	16,782,091	n/a

Source: 2003 Annual Survey of Manufacturers, Statistics for Industry Groups and Industries

Delivery of Services

The US toy industry sells its products through a distribution channel of mass merchandise stores, dedicated toy retailers, and specialized independent toy companies, as well as directly through corporate websites. Although in recent years the mass merchandise and discount retail channels have become the primary source of distribution and accounted for more than 50 percent of all toy sales in 2004.⁶ Wal-Mart, Toys "R" Us, and Target are the currently the three largest retailers of toys in the U.S. and they also operate foreign retail outlets. However, regional and national stores play a more important role in international distribution.

World Markets and Trends

The toy industry is global in both the production and the sale of products. Worldwide sales of traditional toys, excluding video games, totaled \$59.4 billion in 2003, up 6.1 percent from 2002 and including video games totaled \$85.4 billion in 2003, up 6.2 percent from 2002 according to the International Council of Toy Industries.⁷

⁴ 2002 Economic Census of Manufacturing NAICS 339931 for Dolls and Stuffed Toys.

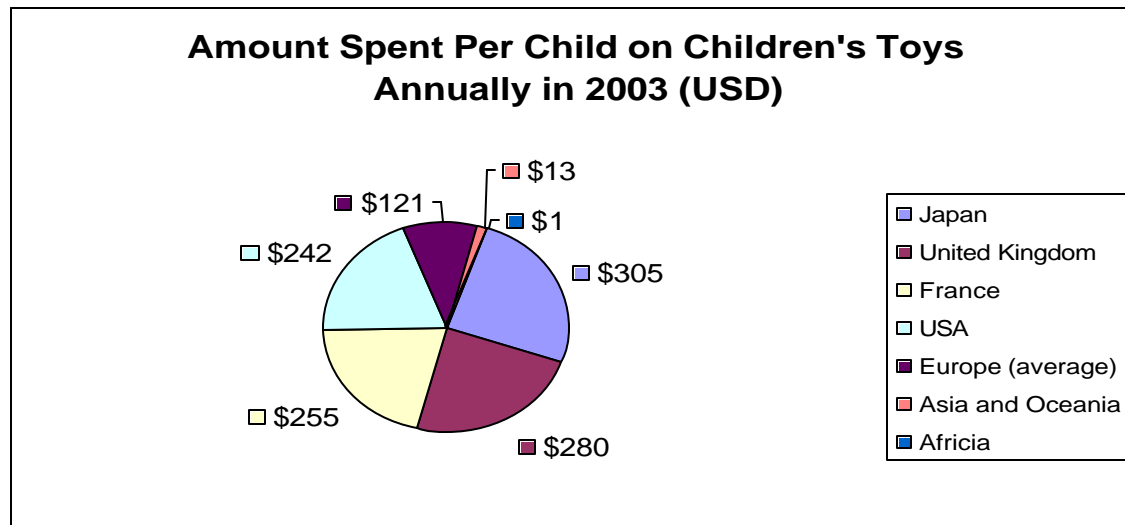
⁵ Source: 2003 Annual Survey of Manufacturers, Value of Shipments for Product Classes

⁶ Toy Industry Association 2004 Annual Report <http://www.toy-tia.org>

⁷ International Council of Toy Industries http://www.toy-icti.org/resources/wtf&f_2003/

The U.S. and Canada consumed approximately 44 percent of total world sales of traditional toys⁸, games and dolls in 2000⁹. According to the International Council of Toy Industries, the world average spent on toys for children was \$26 in 2003, see Figure 5 for a breakdown on annual spending per world region ranging from \$1 in Africa to \$305 in Japan.

Figure 5



Source: International Council of Toy Industries

The two major U.S. toy and children's entertainment companies are Mattel and Hasbro. Mattel is the world's number one toy manufacturer marketing some of the leading brands including American Girl, Barbie, Fisher Price, Hot Wheels, Matchbox, and holds licenses for Barney, Sesame Street, and Star Wars. Hasbro, markets Milton Bradley, Parker Brothers, Playschool, and Wizards of the Coast among others. Both are publicly held and reported 2004 sales of \$5,102.8 million and \$2,997.5 million.

To achieve profitable economies of scale, toy manufacturers have shifted production away from domestic markets to subcontracted or wholly owned production facilities located in low wage economies, primarily, Hong Kong and Taiwan and to a larger extent China. To augment product lines, they also purchase components, accessories and various finished products from international sources. Evidence of this trend is seen in the U.S. market where imports of toys have steadily increased to meet the demand not satisfied by U.S. producers alone.

U.S. toy companies report that the global market for traditional toys is declining while video games and other electronic toys are increasing. The industry considers the greatest threat to be the fact that children are losing interest in traditional toys at a younger age and other consumer goods products, such as cell phones and MP3 players, are replacing traditional toys to an increasing extent.

⁸ The traditional toy market excludes sales of video games and related components.

⁹ International Council of Toy Industries 2001 report: <http://www.toy-icti.org/resources/statistics.htm>

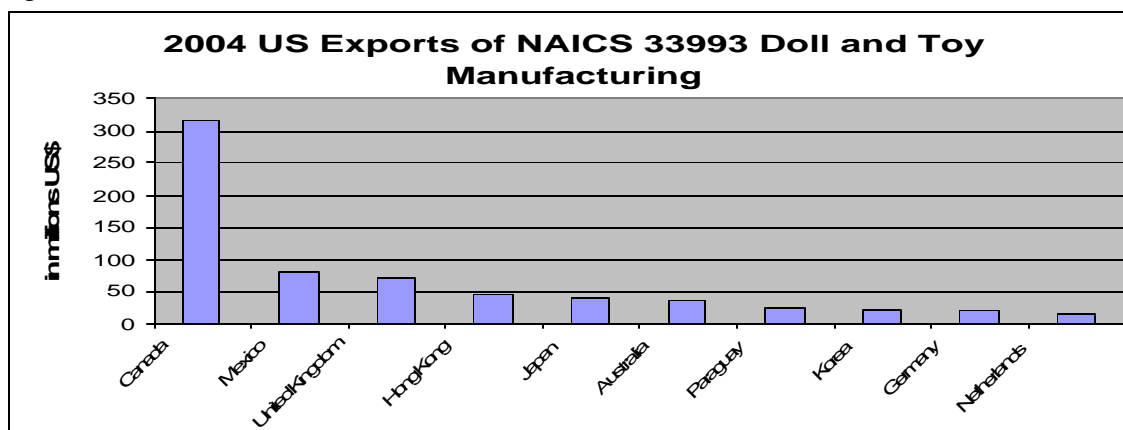
Detailed Trade Statistics

The U.S. toy industry faces relatively low foreign tariffs. U.S. toy tariffs were reduced beginning in 1995, and eliminated by 1999, as part of the GATT Uruguay Round "Zero-for Zero" negotiations. Other signatories to the agreement include the European Union, Japan, and Korea. Toy trade between Canada, Mexico and the United States is duty free under the NAFTA agreement. As part of China's accession to the WTO, it agreed to eliminate tariffs on most toy categories by 2005. Given the size of the consumer market, many producers are looking to China and its growing middle class as a logical future growth market.

While U.S. toy companies have benefited from increased market access, they are still facing non-tariff barriers in many markets. Over the past few years, several countries have used product standards and certification, safeguards and other mechanisms to protect their domestic toy industries from foreign competition. Brazil has had a safeguard on toys for nearly 10 years as well as restrictions on imported toy advertising commercials that have made that market a particularly difficult one for U.S. companies to enter. Argentina has high tariffs on toys imported from China and is considering instituting a minimum import price system on toys from all markets. By far the largest non-tariff trade barrier on toys is expected within the next year if the European Union is successful in placing restrictions toys and childcare articles that contain certain chemicals used to make plastic soft and pliable. Given the EU's dominance in foreign standard setting, it is expected that numerous countries will follow the EU's lead and institute similar restrictions.

U.S. trade statistics don't reflect the global strength of U.S. toy companies since the majority produce their products in Asia or employ regional production to serve specific markets. U.S. exports of NAICS 33993 increased 2.1 percent from 2003-2004 totaling \$880 million, see Figure 6 for the top ten export markets by dollar value.¹⁰ Canada, the United States' number one export market, decreased 6.6 percent while exports to Mexico, the number two market, increased 17.9 percent. Growth for U.S. toys was also seen in the markets of United Kingdom 9.2 percent; Korea 7.8 percent, Germany 25.8 percent, Netherlands 8.2 percent and Australia which nearly doubled its consumption of US made toys in 2004. These increases were enough to offset declines in other markets: Canada 6.6 percent, Hong Kong 10.7 percent, Japan 19.8 percent, Paraguay 24.8, and Colombia 4.2 percent.

Figure 6



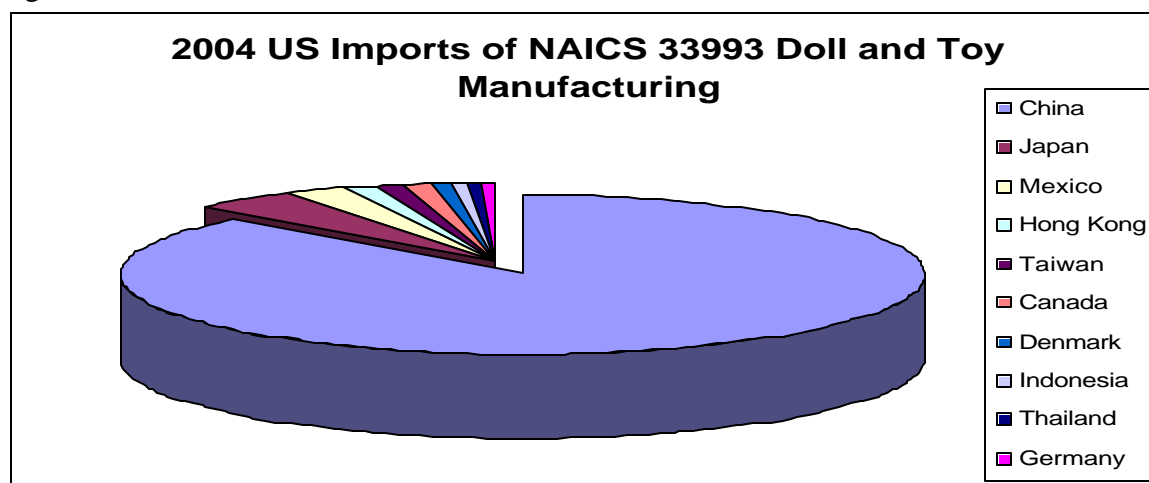
Source: USITC Trade Dataweb

¹⁰ All US export and import data was extracted from the USITC Trade Dataweb <http://dataweb.usitc.gov/>

A closer look at the product sectors reveals that exports of NAICS 339931 increased modestly by 0.19 percent to total \$57 million while exports of NAICS 339932 grew at a slightly larger rate of 2.19 percent to total \$823 million in 2004.

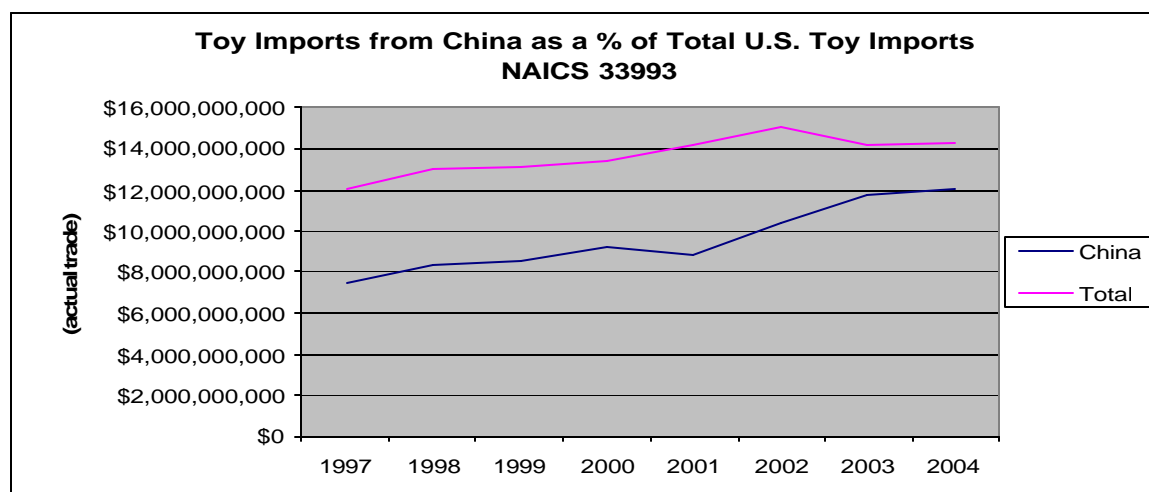
U.S. imports of NAICS 33993 increased 0.5 percent from 2003-2004 totaling \$14.2 billion, see Figure 7 for the top ten import sources.¹¹ China, the number one import source, accounted for nearly 85 percent of all doll and toy imports and increased 3.4 percent to just over \$12 billion in 2004, see Figure 8. It is estimated that imports accounted for 84 percent of apparent consumption in 2004, with Chinese origin products alone accounting for more than 69 percent apparent consumption. Imports from most other key sources were down in 2004 most likely due to production shifting to China: Japan 12.4 percent; Mexico 19.9 percent; Hong Kong 2.5 percent; and Taiwan 2.5 percent.

Figure 7



Source: USITC Trade Dataweb

Figure 8



Source: USITC Trade Dataweb

¹¹ All US export and import data was extracted from the USITC Trade Dataweb <http://dataweb.usitc.gov/>

A closer look at the product sector level reveals that imports of dolls and stuffed toys, NAICS 339931, declined by 5 percent to total \$3.3 billion while imports of games, toys, and children's vehicles NAICS 339932 grew at 2 percent to total \$10.8 billion in 2004.

Industry Shows and Trade Events

January

Hong Kong Toys & Games Fair, Hong Kong

exhibitions@tdc.org.hk

<http://hktoyfair.com>

Univers D'Enfants, Paris

www.univers-enfants.com

The Toy Fair, London

toyfair@btha.co.uk

www.britishtoyfair.co.uk

Canadian Toy and Hobby Fair, Toronto

info@cdntoyassn.com

www.cdntoyassn.com

February

Spielwarenmesse International Toy Fair, Nuremberg

info@spielwarenmesse.de

www.toyfair.de

American International TOY FAIR™, New York City

toyfairs@toy-tia.org

www.toy-tia.org/AITF

March

Toy & Game 2005, Moscow

Toy-game@maxima-expo.ru

www.maxima-expo.ru

April

Australian Toy, Hobby and Nursery Fair, Melbourne

toyfair@austoy.com.au

www.austoy.com.au

October

Shanghai Toy Expo, Shanghai

jinxh@goalmark.com

www.shanghaitoyexpo.com

American International Fall Toy Show™, New York City

falltoyshow@toy-tia.org

www.toy-tia.org